

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Thumb Area Empl. & Training Consortium	County Sanilac
Fiscal Year End June 30, 2007	Opinion Date November 1, 2007	Date Audit Report Submitted to State November 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

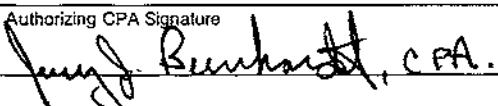
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt, & Doran, PC		Telephone Number 989-673-3137	
Street Address 715 E. Frank Street		City Caro	State MI
Zip 48723			
Authorizing CPA Signature 	Printed Name Jerry Bernhardt, CPA	License Number 1066304	

**THUMB AREA EMPLOYMENT
AND TRAINING CONSORTIUM**
Marlette, Michigan

Report on the Financial Statements
For the Year Ended June 30, 2007

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THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Management Discussion and Analysis

For the Year Ended June 30, 2007

This section of the annual financial report presents management's discussion and analysis of Thumb Area Employment and Training Consortium's (hereon referred to as "the Consortium") performance during the fiscal year ended June 30, 2007. Please read this along with the financial statements of the Consortium.

Financial Highlights

- The assets of the Consortium exceeded its liabilities at the close of the June 30, 2007, fiscal year by \$149,864 (net assets). Of this amount, \$136,371 (unrestricted net assets) may be used to meet the government's ongoing obligations for Consortium programs.
- The General Fund received \$6,409,638 in revenues and had \$6,409,592 in expenditures. The General Fund's fund balance increased to \$149,864 from \$149,818.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$136,371 or 3% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Consortium's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Consortium's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Consortium's assets and liabilities, with the differences between the two reported net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
Management Discussion and Analysis
For the Year Ended June 30, 2007

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thumb Area Employment and Training Consortium, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Consortium maintains one governmental fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Thumb Area Employment and Training Consortium adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 4-8 of this report.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
Management Discussion and Analysis
For the Year Ended June 30, 2007

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$149,864 at the end of the June 30, 2007 fiscal year.

Summary of Net Assets

	June 30, 2006	June 30, 2007
Assets		
Current Assets	\$ 698,133	\$788,972
Capital Assets, net	<u>17,950</u>	<u>13,493</u>
Total Assets	<u>\$ 716,083</u>	<u>\$802,465</u>
Liabilities		
Current Liabilities	\$ 566,265	\$652,602
Long-term liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>566,265</u>	<u>652,602</u>
Net Assets		
Capital assets, net book value	17,950	13,493
Unrestricted	<u>131,868</u>	<u>136,371</u>
Total Net Assets	<u>\$ 149,818</u>	<u>\$149,864</u>

The net assets is separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$13,493 or 9% of net assets and unrestricted net assets of \$136,371 or 91% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

The Consortium's net assets increased by \$46 during the current fiscal year.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Management Discussion and Analysis

For the Year Ended June 30, 2007

Statement of Activities

	June 30, 2006	June 30, 2007
Revenues		
Federal grant revenue	\$ 5,306,689	\$6,129,282
State grant revenue	268,030	235,833
Interest	3,867	5,267
Local revenue	5,503	39,257
	<hr/>	<hr/>
Total Revenues	5,584,089	6,409,638
Expenses		
Administration	404,113	458,333
Direct program services	3,480,839	4,007,949
Support services	285,662	367,275
Service Center program	552,120	484,148
In-School	283,995	180,228
Out-of-School	449,043	580,423
Computerization	28,540	3,570
Other program expenses	86,070	317,384
Corporate expenses	4,360	2,350
Unallocated depreciation	7,933	7,933
	<hr/>	<hr/>
Total Expenses	5,582,675	6,409,592
	<hr/>	<hr/>
Increase (decrease) in Net Assets	<u>\$ 1,414</u>	<u>\$46</u>

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the footnotes to the financial statements.

Summary of Fund Financial Statements

Governmental Fund. As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Consortium's governmental fund reported an ending fund balance of \$149,864 an increase of \$46 from the prior year. 91% or \$136,371 of the fund balance constitutes unreserved fund balance, which is available for spending at the Consortium's discretion.

The increase in fund balance of \$46 indicates that expenditures were about equal to revenues for the year.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
Management Discussion and Analysis
For the Year Ended June 30, 2007

General Fund Budget

By law, the Consortium must establish an original budget in June, with a beginning fiscal date of July 1, for the General Fund. Budgets are revised when necessary, depending on grant/funding source adjustments. Approximately 99% of the Consortium's revenue comes from the Michigan Department of Career Development (specific program grants).

State law requires that budgets be amended to ensure that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The General Fund received \$6,409,638 in revenues and had \$6,405,136 in expenditures. The General Funds balance increased to \$136,371 from \$131,868.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$136,371 or 2% of total General Fund expenditures.

The actual General Fund expenditures were within 89% of the final budget amounts. The decrease in the actual General Fund revenues and expenditures from the final budgeted amounts is due to the fact that several of the grants are on an October to September fiscal year. Thus, the budget for these programs is for two of the Consortium's fiscal years and the unspent portion is carried over to the subsequent fiscal year.

Capital Assets

As of June 30, 2007 the Consortium had \$13,493 in capital assets consisting of various pieces of equipment.

Capital Assets
(net of depreciation)

		June 30, 2006		June 30, 2007
Equipment		\$ 54,100		\$57,576
Less accumulated depreciation		<u>(36,150)</u>		<u>(44,083)</u>
Net Capital Assets		<u>\$ 17,950</u>		<u>\$13,493</u>

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
Management Discussion and Analysis
For the Year Ended June 30, 2007

Economic Factors and Next Year's Budget

Since the Consortium's expenditures are primarily grant funded, current and future funding levels of the state and federal governments affect the next year's budget. Any changes at the grantor level could either negatively or positively affect the future appropriations of the Consortium.

Requests for Information

The financial report is designed to provide a general overview of the Consortium's finances, and to demonstrate the Consortium's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Fiscal Controller
Thumb Area Employment and Training Consortium
3720 Wilson
Marlette, MI 48453

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

November 1, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Thumb Area Employment and
Training Consortium
Marlette, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Thumb Area Employment and Training Consortium (the "Consortium") as of and for the year ended June 30, 2007, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Consortium as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007, on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vi and page 9, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. There is no additional information.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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GENERAL PURPOSE FINANCIAL STATEMENTS

Thumb Area Employment and Training Consortium
Marlette, Michigan

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2007

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 171,023		\$ 171,023
Grants receivable	617,949		617,949
Capital assets - net		\$ 13,493	13,493
TOTAL ASSETS	<u><u>\$ 788,972</u></u>	<u>13,493</u>	<u>802,465</u>
LIABILITIES			
Accounts payable	\$ 612,707		612,707
Accrued payroll and related expenses	7,235		7,235
Unearned revenue	32,660		32,660
TOTAL LIABILITIES	<u>652,602</u>	<u>-</u>	<u>652,602</u>
FUND BALANCE			
Unreserved fund balance	<u>136,371</u>		<u>136,371</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 788,972</u></u>		
NET ASSETS			
Investment in grant funded equipment		13,493	13,493
Unrestricted		136,371	136,371
TOTAL NET ASSETS		<u><u>\$ 149,864</u></u>	<u><u>\$ 149,864</u></u>

The accompanying notes are an integral part of the financial statements.

Thumb Area Employment and Training Consortium
Marlette, Michigan

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUE			
Grant Revenue			
Federal grant revenue	\$ 6,129,282		\$ 6,129,282
State grant revenue	235,833		235,833
Net Grant Revenue	6,365,115	-	6,365,115
Other Revenue	1,813		1,813
Interest income	5,267		5,267
Match revenue	37,444		37,444
Total Revenue	<u>6,409,638</u>	<u>-</u>	<u>6,409,638</u>
EXPENDITURES			
Program Expenses			
Administration	458,333		458,333
Direct Program Services	4,007,949		4,007,949
Supportive services	367,275		367,275
Service Center Program	484,148		484,148
In-School	181,062	(834)	180,228
Out-of-School	583,065	(2,642)	580,423
Computerization	3,570		3,570
Other	317,384		317,384
Match	-	-	-
Total Program Expenditures	6,402,786	(3,476)	6,399,309
Corporate	2,350		2,350
Depreciation		7,933	7,933
Total Expenditures	<u>6,405,136</u>	<u>4,457</u>	<u>6,409,592</u>
Net Change in fund balance	4,503	(4,503)	
Change in net assets		46	46
Fund balance/Net Assets - June 30, 2006	<u>131,868</u>	<u>13,493</u>	<u>149,818</u>
FUND BALANCE/NET ASSETS - JUNE 30, 2007	<u>\$ 136,371</u>	<u>\$ 9,036</u>	<u>\$ 149,864</u>

The accompanying notes are an integral part of the financial statements.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Thumb Area Employment and Training Consortium (the "Consortium"), a consortium of governments organized in 1983 to develop and provide resources for the purposes of assisting low-income individuals through a variety of programs, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies of the Consortium are described below.

REPORTING ENTITY:

As indicated above, the Consortium is a consortium of governments, and includes the counties of Tuscola, Lapeer, Huron, and Sanilac. The Consortium is primarily supported through federal and states grants, approximately 99% of which is provided by the Michigan Department of Labor and Economic Growth. The Consortium is not a component unit of the aforementioned counties and has no entities included in its financial statements as component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are used to account for the receipt and disbursement of monies for general operations, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Consortium has no business-type activities.

The general fund is the Authority's only major fund and is reported as a separate column in the financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when is received by the government.

The Consortium reports the following major governmental fund:

The *general fund* is the Consortium's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund. There are no financial resources currently required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements that the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources as they are needed.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Deposits and Investments

Cash and equivalents consist of deposits in checking accounts, other demand accounts and amount deposited in savings accounts.

2. Grant Receivables and Unearned Revenue

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenditure is incurred. Receivables are recorded for those grants where expenditures are in excess of the cash received at year-end. Unearned revenue is recorded for those grants where grant proceeds were received in excess of expenditures incurred at year-end.

3. Capital Assets

Capital assets, which include equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Consortium as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend the asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the Consortium, which consist entirely of equipment, are depreciated using the straight-line method over 5-10 year lives.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgets and Budgetary Accounting

A comparison to budget is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). General Fund expenditures are budgeted for each of the Consortium's programs and are amended as funding levels change.

The Consortium had excess of expenditures over appropriations at the legal level of budgetary control:

	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>EXCESS EXPENDITURE</u>
General Fund			
Supportive services	\$201,862	\$367,275	\$165,413
Service Center Program	450,000	484,148	34,148
Corporate		2,350	2,350
Out-of-School	507,259	583,065	75,806

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to the Financial Statements

For the Year Ended June 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS:

Deposits are carried at cost. The carrying amount of the deposits was \$171,023 at June 30, 2007.

Statutory Authority

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Banker's acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Consortium's investment policy does not authorize use of external investment pools.

Interest and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Consortium's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Consortium investment policy does not have specific limits in excess of state law on investment credit risk, except for not authorizing the use of external investment pools.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Consortium deposits may not be returned. State law does not require and the Consortium does not have a policy for deposit custodial risk. As of June 30, 2007, \$207,285 of the Consortium's bank balance of \$311,853 was exposed to custodial credit risk because it was uninsured and uncollateralized.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Capital assets:				
Equipment	<u>\$54,100</u>	<u>\$3,476</u>	<u>\$</u>	<u>\$57,576</u>
Accumulated depreciation:				
Equipment	<u>(36,150)</u>	<u>(7,933)</u>	<u>()</u>	<u>(44,083)</u>
Net capital assets	<u>\$17,950</u>	<u>(\$4,457)</u>	<u>\$</u>	<u>\$13,493</u>

NOTE 4 – OPERATING LEASES:

The Consortium leases various facilities for operation of its programs. Rent expense for the office facilities was \$130,974 for the year ended June 30, 2007.

The Consortium's future minimum rental commitments for office facilities at June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$185,993
2009	168,338
2010	170,631
2011	137,394
2012	<u>58,405</u>
Total	<u>\$720,761</u>

NOTE 5 – RISK MANAGEMENT:

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. During the year ended June 30, 2007, the Consortium carried commercial insurance to cover all risks of losses. The Consortium had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

NOTE 6 – RETIREMENT PLAN:

All full-time employees of the Consortium are covered by the Thumb Area Employment and Training Consortium Retirement Plan, a defined contribution pension plan. The Board voted to contribute double the employees' IRA contributions up to \$3,000 per employee. Benefits vest 100 percent immediately. Plan provisions contribution requirements are established and may be amended by the Board. The Plan is administered by various financial institutions that house the employees' IRA accounts. Employer contributions for the year ended June 30, 2007 amounted to \$30,025. In addition, \$15,013 of employee contributions were made.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 7 – COMMITMENTS AND CONTINGENCIES:

In normal course operations, the Consortium occasionally becomes a party to various claims and lawsuits. In the opinion of the legal counsel and Consortium management, the ultimate resolution of such matters will not have a material effect on the financial position of the Consortium. There were no pending claims or lawsuits during the year ended June 30, 2007.

In addition, the Consortium has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

NOTE 8 – RECONCILIATION OF BASIC FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Governmental fund balance	\$136,371
Adjustments:	
Capital assets	57,576
Accumulated depreciation	<u>(44,083)</u>
Net assets of governmental activities	<u>\$149,864</u>

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles changes in fund balance to changes in net assets:

Change in fund balance	\$4,503
Adjustments:	
Capital outlay	3,476
Depreciation expense	<u>(7,933)</u>
Change in net assets	<u>\$ 46</u>

REQUIRED SUPPLEMENTARY INFORMATION

Thumb Area Employment and Training Consortium
Marlette, Michigan

COMPARISON OF BUDGET -VS- ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUE				
Grant Revenue				
Federal grant revenue	\$ 6,168,162	\$ 6,928,398	\$ 6,129,282	\$ (799,116)
State grant revenue	237,873	237,873	235,833	(2,040)
Net Grant Revenue	6,406,035	7,166,271	6,365,115	(801,156)
Interest income			5,267	5,267
Match revenue	43,249	43,249	39,257	(3,992)
Total Revenue	6,449,284	7,209,520	6,409,638	(799,882)
EXPENDITURES				
Program Expenses				
Administration	566,119	897,031	458,333	438,698
Direct Program Services	4,083,980	4,229,736	4,007,949	221,787
Supportive services	251,862	201,862	367,275	(165,413)
Service Center Program	369,194	450,000	484,148	(34,148)
In-School	300,000	400,000	181,062	218,938
Out-of-School	461,000	507,259	583,065	(75,806)
Computerization	49,365	41,365	3,570	37,795
Other	367,764	482,267	317,384	164,883
Total Program Expenditures	6,449,284	7,209,520	6,402,786	806,734
Corporate			2,350	(2,350)
Total Expenditures	\$ 6,449,284	7,209,520	6,405,136	804,384
Net Change in fund balance		-	4,503	4,503
Fund balance - June 30, 2006		131,868	131,868	-
FUND BALANCE - JUNE 30, 2007		\$ 131,868	\$ 136,371	\$ 4,503

The accompanying notes are an integral part of the financial statements.

**THUMB AREA EMPLOYMENT
AND TRAINING CONSORTIUM**

Additional Reports Required By
OMB Circular A-133

Year Ended June 30, 2007

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<i>Schedule of Findings and Questioned Costs</i>	<i>7 & 8</i>
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Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

November 1, 2007

To the Board of Directors
Thumb Area Employment and Training Consortium
Marlette, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thumb Area Employment and Training Consortium as of and for the year ended June 30, 2007, which collectively comprise Thumb Area Employment and Training Consortium's basic financial statements of the District's primary government and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Thumb Area Employment and Training Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Thumb Area Employment and Training Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Thumb Area Employment and Training Consortium's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We considered the deficiency described as 2007-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Board of Directors
November 1, 2007

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Thumb Area Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Thumb Area Employment and Training Consortium in a separate letter dated November 1, 2007.

This report is intended for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Gary R. Anderson, CPA
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 1, 2007

To the Board of Directors
Thumb Area Employment and Training Consortium
Marlette, MI

COMPLIANCE

We have audited the compliance of Thumb Area Employment and Training Consortium with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Thumb Area Employment and Training Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Thumb Area Employment and Training Consortium's management. Our responsibility is to express an opinion on Thumb Area Employment and Training Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Thumb Area Employment and Training Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Thumb Area Employment and Training Consortium's compliance with those requirements.

In our opinion, Thumb Area Employment and Training Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Thumb Area Employment and Training Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Thumb Area Employment and Training Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Thumb Area Employment and Training Consortium's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

To the Board of Directors
November 1, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Thumb Area Employment and Training Consortium as of and for the year ended June 30, 2007, and have issued our report thereon dated November 1, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Thumb Area Employment and Training Consortium's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Thumb Area Employment and Training Consortium
Marlette, Michigan

Schedule of Expenditures of Federal Awards and Other Financial Assistance
For the Year Ended June 30, 2007

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE						
Department of Agriculture						
10.561	N/A	Food Stamps	Michigan Dept. of Career Dev.	10/01/05-09/30/06	\$ 22,233	\$ 6,597
10.561	N/A	Food Stamps	Michigan Dept. of Career Dev.	10/01/06-09/30/07	60,195	8,731
		Subtotal 10.561				15,328
Department of Defense						
12.002	SP4800-03-2-0310	Dept. of Defense	McComb Chamber of Commerce	10/01/05-09/30/06	30,000	5,061
Department of Labor						
17.207	N/A	Employment Service	Michigan Dept. of Career Dev.	07/01/05-06/30/06	446,788	436,180
17.225	N/A	Reed Act	Michigan Dept. of Career Dev.	07/01/06-06/30/07	29,072	29,072
17.245	N/A	TAA - NAFTA/TAA	Michigan Dept. of Career Dev.	10/01/05-09/30/06	24,018	1,210
17.245	N/A	TAA - NAFTA/TAA	Michigan Dept. of Career Dev.	10/01/06-09/30/07	94,053	18,694
		Subtotal 17.245				19,904
17.258/17.259/17.26	N/A	WIA Administration	Michigan Dept. of Career Dev.	07/01/06-06/30/07	602,963	269,963
17.258/17.259/17.26	N/A	WIA State-Wide Activities	Michigan Dept. of Career Dev.	07/01/06-06/30/07	72,000	72,000
17.258/17.259/17.26	N/A	WIA State-Wide Activities	Michigan Dept. of Career Dev.	07/01/06-06/30/07	63,661	63,661
17.258/17.259/17.26	N/A	WIA State-Wide Activities	Michigan Dept. of Career Dev.	07/01/06-06/30/07	88,221	82,401
17.258/17.259/17.26	N/A	WIA State-Wide Activities	Michigan Dept. of Career Dev.	07/01/06-06/30/07	25,432	25,432
17.258/17.259/17.26	MI RSA	WIA State-Wide Activities	Michigan Dept. of Career Dev.	07/01/06-06/30/07	50,000	50,000
17.258/17.259/17.26	MI RSA	WIA State-Wide Activities	Michigan Dept. of Career Dev.	07/01/06-06/30/07	20,000	20,000
		Subtotal 17.258/17.259/17.260				583,457
17.258	N/A	WIA Adult	Michigan Dept. of Career Dev.	07/01/06-06/30/07	1,506,806	1,460,642
17.259	N/A	WIA Youth	Michigan Dept. of Career Dev.	07/01/06-06/30/07	907,259	854,916
17.260	N/A	WIA Dislocated Worker	Michigan Dept. of Career Dev.	07/01/06-06/30/07	1,271,345	1,185,284
17.260	N/A	WIA DW Rapid Response	Michigan Dept. of Career Dev.	07/01/06-06/30/07	61,345	61,345
17.260	N/A	WIA DW Rapid Response	Michigan Dept. of Career Dev.	07/01/06-06/30/07	66,597	66,597
17.260	N/A	WIA DW Rapid Response	Michigan Dept. of Career Dev.	07/01/06-06/30/07	275,000	220,063
		Subtotal 17.26				1,533,289
17.261	N/A	Employment & Training Administration Pilots, Demonstrations & Research Projects	Saginaw Valley State University	07/01/06-06/30/07	112,205	112,205
17.266	N/A	Work Incentives Grant	Michigan Dept. of Career Dev.	07/01/06-06/30/07	10,000	10,000

Thumb Area Employment and Training Consortium
Marlette, Michigan

Schedule of Expenditures of Federal Awards and Other Financial Assistance
For the Year Ended June 30, 2007

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE						
Department of Education						
Department of Health and Human Services						
93.558	N/A	TANF Workfirst	Michigan Dept. of Career Dev.	10/01/05-09/30/06	\$ 1,153,820	\$ 159,497
93.558	N/A	TANF Workfirst	Michigan Dept. of Career Dev.	4/01/06-09/30/06	10,000	10,000
93.558	N/A	TANF Workfirst	Michigan Dept. of Career Dev.	10/01/06-09/30/07	980,594	899,730
		Subtotal 93.558				1,069,227
		Total Federal Programs				6,129,282
Other State and Local Programs						
N/A	N/A	GF/GP Workfirst	Michigan Dept. of Career Dev.	10/01/06-09/30/07	216,728	214,688
N/A	N/A	GF/GP Jet	Michigan Dept. of Career Dev.	10/01/06-08/31/07	14,204	14,204
N/A	083P6200191	Technical Assistance	Michigan Dept. of Career Dev.	10/01/05-09/30/06	40,000	6,941
N/A	N/A	Manufacturer's Builders Alliance	Local Revenue	01/01/05-12/31/06	20,288	37,444
		Total Other State and Local Programs				273,277
Unrestricted Activity						
		TOTAL			2,350	
		Reconciliation of Expenses with Exhibit B:				\$ 6,404,909
		Expenses on WtB		\$ 6,405,136		
		Interest income related expenses		227		
		EXPENSES THIS SCHEDULE		\$ 6,404,909		

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) that are not considered to be material weakness? X Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) that are not considered to be material weakness? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.207	Employment Services
17.261	Employment & Training Administration
93.558	Work First (TANF)

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

Finding 2007-1

Finding considered a significant deficiency

Currently, the Consortium staff prepares the interim and annual financial statements. The annual financial statements for the year ended June 30, 2007, required relatively few audit adjustments. Effective for the year ended June 30, 2007, Statement of Auditing Standards #112 titled (*Communicating Internal Control Related Matters Identified in an Audit* issued May, 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The staff of the Consortium does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standard #112.

Client response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

THUMB ARE EMPLOYMENT AND TRAINING CONSORTIUM
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

There were no audit finding in the prior year.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants



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Jamie L. Peasley, CPA

November 1, 2007

To the Board of Directors
Thumb Area Employment and Training Consortium
Marlette, MI

Dear Board Members:

In planning and performing our audit of the financial statements of Thumb Area Employment and Training Consortium as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Consortium's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the Consortium's effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be control deficiencies or material weaknesses, as defined above.

The following comments relate to certain of the Consortium's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

Disaster Recovery Plan

During our review of your internal control procedures, we noted that the Consortium has no formal disaster recovery plan. Currently backups of the various accounting applications and data are only done sporadically and there is no formal off site storage location. We recommend that a formal disaster recovery plan be developed, documented and implemented for all in-house applications.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Lewis Cass Intermediate School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants